

DISAPPROVING THE ALTERNATE PLAN, DATED AUGUST 31, 1971, FOR PAY ADJUSTMENTS FOR FEDERAL EMPLOYEES UNDER STATUTORY PAY SYSTEMS

SEPTEMBER 21, 1971.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed.

Mr. DULSKI, from the Committee on Post Office and Civil Service, submitted the following

REPORT

together with

MINORITY VIEWS

[To accompany H. Res. 596]

The Committee on Post Office and Civil Service, to whom was referred the resolution (H. Res. 596) disapproving the alternative plan, dated August 31, 1971, for pay adjustments for Federal employees under statutory pay systems, having considered the same, report favorably thereon without amendment and recommend that the resolution do pass.

PURPOSE

It is the purpose of this resolution to disapprove the President's alternate pay plan dated August 31, 1971, House Document No. 92-158, postponing from January 1972, to July 1972, the comparability pay adjustments for Federal employees under the statutory pay systems, which will be based on the 1971 Bureau of Labor Statistics survey.

STATEMENT

House Resolution 596 was ordered reported by the committee by a vote of 14 to 12. It was sponsored by 23 members, nine of whom are members of the Post Office and Civil Service Committee.

Neither the action by the committee in approving the resolution, nor action by the House if the House approves the resolution, will foreclose a freeze in 1972 on Federal pay adjustments should the President issue

a new wage-freeze order treating private industry employees and Federal employees on an equitable basis.

This committee is committed to support such action by the President if the President determines such action to be necessary to attain the greater good for the country as a whole. The committee cannot support action by the President to squeeze an economy program and an austerity budget out of Federal employees when private industry employees are not asked to make a similar sacrifice.

The 1972 comparability pay adjustment for Federal employees under each Federal statutory pay system will be based on the 1971 Bureau of Labor Statistics survey, and would become effective in January 1972, under the provisions of section 3(c) of the Federal Pay Comparability Act of 1970 (Public Law 91-656). The data from the survey will be available sometime in November 1971.

However, section 5305(c) of title 5, United States Code, as added by section 3(a) of the 1970 act, provides that if, because of national emergency or economic conditions affecting the general welfare, the President considers it inappropriate to make the comparability pay adjustment, he shall prepare and transmit to Congress before September 1, such alternate plan as he considers appropriate.

The President has submitted such an alternate pay plan, which is contained in his message to the Congress, dated August 31, 1971 (H. Doc. No. 92-158), which reads as follows:

ALTERNATE PLAN POSTPONING ADJUSTMENTS IN
FEDERAL STATUTORY PAY SYSTEMS

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

AN ALTERNATIVE PLAN POSTPONING ADJUSTMENTS IN FEDERAL
STATUTORY PAY SYSTEMS, PURSUANT TO 5 U.S.C. 5305(c) (1)

SEPTEMBER 8, 1971.—Message referred to the Committee on Post Office and Civil
Service and ordered to be printed

To the Congress of the United States:

On August 15, 1971 I announced a number of new economic initiatives to create new jobs, to hold down the cost of living, and to stabilize the dollar. In this connection, Executive Order 11615 calls for the development of policies, mechanisms and procedures to maintain economic growth without inflationary increases after the end of the 90-day freeze period which the order imposes. It is equally essential that the tax reductions which I recommended to the Congress, to provide a powerful stimulus to the economy, not be inflationary in their impact. A significant reduction in Federal expenditures is needed to provide a balance.

Since continuing emphasis will be placed on the exercise of responsible industrial and labor leadership throughout the Nation in the months to come, I must apply such fiscal restraints as will clearly signify the good faith of the Federal Government as a major employer, and to continue to set an example for the American people in our striving to achieve prosperity in peacetime. I place full reliance on the willingness of Federal employees along with their fellow Americans, to make whatever temporary sacrifices in personal gain may be needed to attain the greater good for the country as a whole.

Therefore, in consideration of the economic conditions affecting the general welfare, I hereby transmit to the Congress the following alter-

native plan, as authorized and required by section 5305(c)(1) of title 5, United States Code:

"Such adjustments in the rates of pay of each Federal statutory pay system as may be required, based on the 1971 Bureau of Labor Statistics survey, shall become effective on the first day of the first applicable pay period that begins on or after July 1, 1972."

I recognize that delaying the scheduled January 1972 increase to July 1972 means that two increases will then become due within a period of approximately 3 months. Since I am unable to predict whether two increases in such a relatively short time span will have a damaging effect on the economy, I am not prepared to make a decision with respect to the October 1972 increase at this time. After reviewing the economic situation during the first half of 1972, I will give serious consideration to the need for an alternative plan to that scheduled increase. If I conclude that an alternative plan is necessary I will, in accordance with the aforementioned provision of law, submit such a plan to Congress before September 1, 1972. It appears highly unlikely that any such plan would involve a postponement of the October 1972 adjustments beyond January 1973.

Our Nation's public servants are entitled to a fair wage in line with the established policy of comparability with private enterprise; I regret the necessity of postponing pay increases, but our fight against the rising cost of living must take precedence. Of course, success in holding down inflation will benefit the Government worker as well as all Americans.

I urge your support of this postponement.

RICHARD NIXON.

THE WHITE HOUSE, *August 31, 1971.*

The President, in his message, reaffirms the established policy that Federal employees are entitled to a fair wage in line with the comparability principle that requires the rates of pay for Federal employees to be comparable with private enterprise pay rates for the same levels of work.

The justification in the message for the alternate plan is that—

- the fight against the rising cost of living must take precedence over the comparability pay adjustments;
- a significant reduction in Federal expenditures is needed to provide a balance so that the proposed tax reductions would not be inflationary in their impact; and
- fiscal restraints must be applied as would clearly signify the good faith of the Federal Government as a major employer and as will continue to set an example for the American people in striving to achieve prosperity in peacetime.

The President stated in his message that he placed "full reliance on the willingness of Federal employees along with their fellow Americans, to make whatever temporary sacrifices in personal gains may be needed to attain the greater good for the country as a whole."

The message reveals that there may be a further delay of 3 months in the next comparability pay adjustment due in October 1972.

The committee fully supports the statement of the President that we can place full reliance on the willingness of Federal employees, "along with their fellow Americans," to make whatever temporary sacrifices in personal gains may be needed to attain the greater good for the country as a whole.

The committee cannot support a policy that asks sacrifices of Federal employees that are not asked of their fellow Americans. They should not be locked-in to greater sacrifices as they would be with the 6-months delay.

The temporary sacrifice that fellow Americans of Federal employees have been asked to make under Executive Order 11615, dated August 15, 1971, under the 90-day freeze on prices, rents, wages, and salaries will expire in the middle of November.

The Federal employees are asked to make a continuing sacrifice that is well beyond November. They are asked to accept a delay in comparability pay adjustments that are rightfully due in January, until July 1972, with the possibility of a further sacrifice in the delay of the October 1972 comparability adjustment until January 1973.

The principal justifications for the 6-month delay—fiscal restraints, good faith of the Federal Government as a major employer, and the need to balance a reduction in Federal expenditures with tax reductions—are merely window dressing for another in a long line of attempts to squeeze economy programs and austerity budgets out of Federal employees.

The January 1972 comparability adjustment is to be based on the 1971 survey which uses private industry rates that were in effect starting in June 1971. The January adjustment will be 6 months behind comparability and the July 1972 adjustment will place the Federal employees one full year behind.

The January 1972 comparability adjustment can hardly be called inflationary when it has a built-in lag of 6 months in comparing Federal pay with private-industry pay. A further delay of 6 months to July 1972, is a far greater sacrifice than is being asked of any other group of employees.

Only a few months have passed since the Congress and the President cooperated to perfect the system under which the wages of employees under the statutory salary systems would be kept in balance with wages paid for comparable levels of work in private industry.

There is little or no disagreement that this is a proper standard to apply to public workers legally deprived of the right to strike, a standard the committee believes designed to assure equity to the taxpayers and to the public employees alike. A standard that is reaffirmed by the President in his message.

It is true that the system authorizes the President to recommend an alternate plan, if warranted by economic conditions affecting the general welfare, but the committee sees no justification for requiring Federal employees, one single group of workers, to carry a major share of the sacrifice to correct those economic conditions.

It is all very well to say that the Federal Government must set an example in austerity, but that example should be in equal sacrifice. Federal employees should not be expected to carry a major share of the sacrifices required for the total good.

The President has stated that policies, mechanisms, and procedures will be developed to maintain economic growth without inflationary increases after the end of the 90-day freeze.

Should those second-phase procedures require a freeze for all Americans after the 90-day period, the committee is confident that the Federal employees will gladly accept such further sacrifices in personal gains, provided they are treated equally with their fellow Americans.

PRIVATE VERSUS FEDERAL RATES OF PAY

Allegations are frequently made, as evidenced by recent statements in the press and by letters received by the committee, that Federal employees now are being paid substantially more than workers in private industry and that no further adjustments are justified.

One widely circulated letter sent out by the U.S. Chamber of Commerce justified their statement by comparing the rates of pay of Federal employees with the "all-industry average" of wages paid employees in private industry and by comparing the Federal pay adjustments with increases in the cost of living.

There is absolutely no validity for comparing the average rates of pay for Federal employees with an "all-industry average" or with cost-of-living increases.

The Comparability Act of 1970 requires rates for Federal employees to be compared with private industry rates of pay "for the same levels of work." There is no equitable way to compare rates for technicians, attorneys, accountants, and mid-level professional people in the Federal Government with an "all-industry average wage" for all positions. The cost-of-living increases certainly are not a true measure to be used for annual adjustments, particularly in the case of Federal pay rates which were more than a year behind comparable private-industry rates in 1965, the first year on which the comparisons were based. Cost-of-living increases for employees in private industry generally are in addition to adjustments resulting from contract wage negotiations.

Another similar statement by Joseph Kimmel, as reported in the press, was refuted by an official of the Office of Management and Budget when it was shown that incorrect rates were used for the comparisons. The reported comparisons and the actual figures are shown as follows:

Year:	GS-13 average		Private average	
	Kimmel rates	Actual rates	Kimmel rates	Actual rates
1962.....	\$11,150	\$11,880	\$11,150	\$13,634
1970.....	19,555	18,437	15,050	19,335
1971.....	21,313	19,537	(¹)	(¹)

¹ Not available.

The actual averages for GS-13 are the third within-grade rate for 1962, and the fourth within-grade rate in 1970 and 1971, which were the median rates actually being paid in those respective years. The

actual private enterprise average rates for the work level equivalent to GS-13 work are those reported by the Bureau of Labor Statistics.

The Bureau of Labor Statistics averages come from a massive national survey of thousands of private enterprise establishments.

Those who would have us believe that Federal pay is higher than private industry pay urge a complete restudy of the Federal comparability pay system.

The process by which comparability pay rates are determined, and the Bureau of Labor Statistics survey on which the determinations are based, are completely open to review and inspection. They are under constant review by the agencies responsible and, under the 1970 law, will be reviewed by the Federal Employees Pay Council. They have been reviewed in depth by groups of expert consultants. Every review has confirmed the factual nature and the basic soundness and equity of the operation. As indicated above, the President, in his message, reaffirmed the equality of the system.

If there is any basis whatever to the allegations that Federal employee rates of pay are higher than comparable rates in private industry, then under the system, there will be no justification for a comparability pay adjustment in January 1972. The actual facts show that under the comparability system, Federal pay rates have been lagging behind private industry rates for comparable levels of work every year since the surveys have been conducted, except in grade 1.

BACKGROUND

The Federal Pay Comparability Act of 1970, Public Law 91-656, approved January 8, 1971, established a permanent, semiautomatic method of adjusting the rates of pay of Federal employees who are paid under the various statutory pay systems.

Under the provisions of this act, the President is required to make annual comparability adjustments in the rates of pay as he determines appropriate to carry out the principles of comparability with private industry. The basic principle is that Federal pay rates be comparable with private enterprise pay rates "for the same levels of work."

The specific procedures established by the act require the President to direct an appropriate agent to prepare and submit to him an annual report that (1) compares the rates of pay of the statutory pay systems with the rates of pay in private industry for the same levels of work, as determined on the basis of annual surveys to be conducted by the Bureau of Labor Statistics; (2) makes recommendations for adjustments in rates of pay; and (3) includes the views and recommendations of employee organizations.

After considering the report of his agent, as described above, and the views of the Advisory Committee on Federal Pay (which was established under the act), the President is required to adjust the rates of pay of each statutory pay system, effective at the beginning of the first pay period which commences on or after October 1 of the applicable year.

Section 3(c) of the act specifically provides that the 1971 and 1972 adjustments shall be effective on the first day of the first applicable

pay period that begins on or after January 1, 1971, and January 1, 1972, respectively. The action of the President in making the comparability adjustments described above is final and does not require any action by the Congress.

The 1970 Pay Comparability Act further provides (5 U.S.C. 5305 (c) (1)), that if, because of a national emergency or economic conditions affecting the general welfare, the President determines that it is not appropriate to make the pay comparability adjustments, he shall prepare and transmit to the Congress, before September 1, an alternate pay adjustment plan. The President's alternate plan would become effective on October 1—January 1, 1972, in case of 1971 adjustments—of the applicable year unless, prior to the end of a period of 30 calendar days of continuous session of the Congress, following the date on which the alternate plan is transmitted, either House of Congress adopts a resolution disapproving the alternate plan.

The procedures for a congressional veto of an alternate pay plan are detailed under section 5305 (d)–(m) of title 5, United States Code, and are similar to the procedures which have been established for congressional disapproval of an executive reorganization plan (5 U.S.C. 901–913).

In the event that the President's alternate plan is vetoed, the President is required under section 5305 (m) of title 5, United States Code, to place into effect the full pay comparability adjustments effective in January 1972.

There are set forth below statistics showing the number of employees under the statutory pay systems and the payroll costs involved for these employees.

FEDERAL PAYROLL—STATUTORY PAY SYSTEMS, SEPTEMBER 1971

	Number of employees	Annual cost ¹ (billions)
General Schedule.....	1,286,866	\$16.594
Veterans Administration.....	23,776	.390
Foreign Service.....	16,300	.334
Other ²	32,500	.407
Total.....	1,359,442	17.725

¹ Cost includes basic pay, premium pay and benefits.

² Includes Executive agency employees whose rates are fixed by Administrative action on the basis of rates for the General Schedule.

Each 1 percent increase in pay adds \$177.25 million to total costs.

MINORITY VIEWS ON H. RES. 596

Restoration of the economic health of our Nation—for the sake of each and every citizen—calls for the rejection of H. Res. 596.

It is vitally necessary for the Congress to lend itself to a unity of purpose in support of the President in his efforts to combat the persistent problems of inflation and unemployment.

The 6 months' deferral of a salary increase for Federal employees, from January 1972, until July 1972, is a vital and integral part of the President's economic offensive. Should this resolution be approved, it forces the hand of the President to institute sizable pay raises for Federal employees on January 1, 1972, and impairs his efforts to reduce Federal spending and to control inflation.

CONGRESS ANTICIPATED EXISTING PROBLEM

It must be emphasized at the outset that the Congress, in giving the President the authority to regularly adjust Federal pay under the comparability procedure, provided specifically for the President to deny the pay raise entirely, to reduce it, or to postpone it, if "*because of national emergency or economic conditions affecting the general welfare, the President should, in any one year, consider it inappropriate to make the pay adjustment.*" (Sec. 5305(c)(1) title 5, U.S.C.)

It follows, then, that the Congress anticipated there would be in the future economic conditions such as exist today. And it fully expected that the President would, at some time, have to exercise stringent measures, which he has done.

The issue now and the one we face as Members of the House, is whether we are going to sustain the efforts of the President in his program to create new jobs, hold down the cost of living, and otherwise stabilize the American economy.

The issue is not whether Federal employees are overpaid, underpaid, or whether statistics justify a pay raise. Neither is the so-called pay comparability principle nor the machinery for achieving pay comparability at issue.

Admittedly, the Federal employee is being requested to bear a share of the fight against inflation. The same request has been made to, and is being shared by, all other American wage earners.

The Congress must permit the Federal employee to shoulder his share of the inflation battle. Certainly, the Congress should not, by approving this resolution at this time, cause Federal employees to be the first sector of the American labor force to break the restraints which current economic conditions demand.

The simple economic facts are that the President has set a minimum target of \$5 billion in reduced Federal spending for this fiscal year. He has stated this is the minimum necessary for his economic program to be effective. Forty percent of that total, or \$2.025 billion must come from actions affecting Federal personnel. The 6 months' deferral of white collar and military pay will effect a savings of approximately \$1.2 billion.

If the Congress rejects the 6 months' pay deferral, an alternative for the President in achieving his total \$5 billion reduction would be massive reductions in the total Federal payroll. We suggest it is preferable that the Federal employee suffer a delay in a pay raise rather than face the uncertainties and severe personal hardships of widespread personnel reductions. The \$50 billion total Federal payroll is too significant a part of the total Federal budget to be left untouched in any program to reduce Federal spending.

We regret there is a need for the 6 months' delay in pay increases; however, more importantly, the fight against inflation must be considered a national priority.

We reemphasize that, under the authority which the Congress specifically gave the President with respect to Federal pay, he has exercised one of the options available to him "*because of national emergency or economic conditions*". From the point of view of the Federal employee the action he took, in simply delaying a full comparability increase, will cause the least burden.

It is now incumbent upon the Congress to sustain the President's action and reject the resolution, House Resolution 596.

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